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**Director of
Central
Intelligence**

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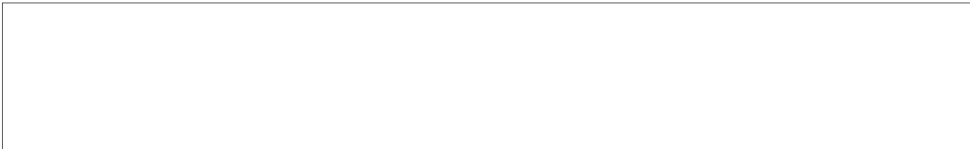
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EL SALVADOR: Presidential Politics

The major political parties are moving quickly to select presidential candidates for the election now scheduled for December.

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The Christian Democrats will hold a party convention Sunday to choose either former junta President Duarte or Foreign Minister Chavez Mena, according to the US Embassy. Both are campaigning quietly, and party leaders hope a quick selection will avoid prolonged political infighting and damage to the party's election prospects.

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Press reports allege extreme rightist Assembly leader D'Aubuisson has publicly ruled out his own candidacy.

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Comment: Duarte, the perennial candidate of the Christian Democrats, is widely admired in some sectors for his honesty and disliked in others for the reforms his presidency pioneered. Chavez Mena may have some momentum among middle-level party loyalists and elements of the private sector. He has shown an ability to get along even with extreme rightists in the provisional government.

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Some party leaders appear concerned that Duarte would increase polarization and hurt the party's election chances. Chavez Mena's desire to challenge Duarte is reinforced by his sudden cancellation of a trip to the Dominican Republic for preliminary discussions on Central American peace initiatives.

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D'Aubuisson's possible decision not to run underscores the steady erosion of his power and is in line with reports that his international financial backing has slowed.

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**France: Cities of Over 30,000 People
Controlled by Major Parties**

	1977 Elections	1983 Elections
Socialists	82	68
Communists	72	56
Giscardians	34	54
Gaullists	20	41

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FRANCE: Implications of Municipal Elections

The Socialists' rebound in the second round of municipal elections last Sunday sets the stage for a reconsideration of economic policy and a cabinet shuffle. []

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After jolting losses in the first round on 6 March, the Socialists held their ground in the final voting. Voters split almost evenly between left and right, and eight of the nine cabinet members involved in runoffs won their races. The increased leftist support was a result of a record turnout and the support of the ecologists and other minor parties, which ran their own candidates on 6 March.

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The left lost control in 30 large cities, with the Communists losing a larger proportion of their local power bases. The Socialist leadership has acknowledged that it received a cautionary message from the electorate. []

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Gaullist chief Chirac improved his credentials as the major opposition figure by winning overwhelmingly in Paris and leading his party to victory in two-thirds of the cities that the left lost. The opposition did especially well in the largest cities, where the economy and other national issues have more impact. Law and order and immigration policy were the dominant local issues. []

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Comment: The government will now turn its attention to inflation, high trade deficits, and the weakness of the franc. The outcome of the election gives President Mitterrand more of a free hand to consider a new economic strategy. []

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There is considerable speculation in Paris that Mitterrand may take this opportunity to shift or remove some ministers. According to the US Embassy, Prime Minister Mauroy, Economics Minister Delors, Foreign Minister Cheysson, and Industry Minister Chevenement are likely to keep their posts. One or more Communist ministers, however, may be dropped. []

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INDONESIA: Key Changes in the Government

President Soeharto is expected to announce important military and civilian cabinet changes tomorrow, including the ouster of General Jusuf from his dual positions as Defense Minister and Armed Forces Commander. []

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Jusuf—once considered a potential successor to Soeharto—reportedly will be replaced by former Army Chief of Staff Poniman as Defense Minister and by military intelligence chief Murdani as Armed Forces Commander. Some changes in the military hierarchy have already been made. The Army and the Air Force both have new chiefs of staff, and new commanders have been appointed to sensitive military regions on Java. []

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Changes also are rumored to take place in the civilian ministries, including Coordinating Minister for Economics, Finance, and Industry Widjojo Nitisastro and Finance Minister Wardhana. They have been the leading technocrats responsible for economic policy since Soeharto came to power. []

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Comment: The military changes are the start of Soeharto's long-promised transfer of active military command to younger officers. The senior generals who have commanded since the revolution in 1945, however, will retain policymaking power in the new Defense Ministry structure. Murdani apparently will temporarily retain the role of military intelligence chief. []

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Soeharto has not indicated any intent to reverse his economic strategy. Nonetheless, the drop in oil and nonoil export earnings almost certainly will require additional austerity measures. []

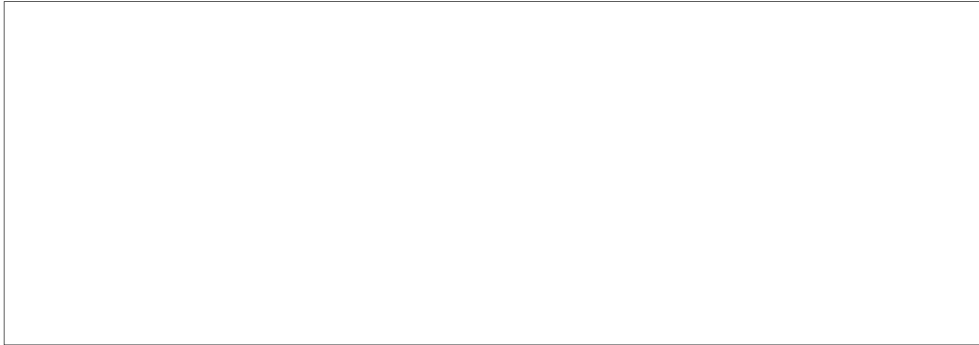
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USSR-JAPAN: Propaganda on Security Issues

TASS yesterday claimed Japan has been directly involved in the "provocative" Team Spirit 83 exercise, although only US and South Korean forces are participating. The Soviets continue to denounce US-Japanese military cooperation in other areas while promoting their peace proposals in Tokyo. USA Institute Director Arbatov in an interview in a Japanese newspaper last weekend proposed separate negotiations to limit IRBMs in the Far East and stressed the need for China to participate in such talks.

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Comment: Recent official Japanese statements about the Soviet threat and P'yongyang's concern about improving relations between Seoul and Tokyo may have prompted Moscow to increase criticism of Tokyo's role in the US-Japanese-South Korean "military triangle." Although the Soviets have repeatedly criticized Tokyo's indirect involvement in the exercise, this is the first time they have accused it of direct participation. Arbatov's interview, on the other hand, indicates some concern in Moscow that recent statements by Soviet leaders on redeploying SS-20s in Asia have aggravated relations with both Japan and China.

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ARGENTINA: Backing Away From Austerity

The junta is under mounting pressure from civilian and military quarters to control the soaring inflation, and it evidently intends to break agreements with foreign government and commercial lenders. The US Embassy reports regime leaders plan over the next several weeks to stimulate consumer demand and industrial output by imposing price controls on essential goods, postponing rate increases on public utilities, and reducing interest rates. The US Embassy also reports numerous rumors of a plan to ask the IMF to renegotiate their three-month-old agreement, which was made public only recently. [REDACTED]

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Comment: In the past Argentina has been trying to comply with the IMF, but, with elections approaching, the military wants to abandon austerity measures and pass the faltering economy to civilians. One cabinet member has already resigned to protest the policy shift, and others may well follow. Foreign lenders probably will not make new loans, which could prompt the Argentines to suspend debt payments unilaterally. Lack of new funds will prevent economic recovery and make inflation worse. So far this year it is running at 245 percent for the 12 months ending in February. [REDACTED]

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ISRAEL: Authorization for Nuclear Reactor

The US Embassy reports the Israeli cabinet has authorized, in principle, the acquisition of a nuclear power reactor, although the size, location, and type of reactor remain to be determined. The study commission appointed by the cabinet notes the quickest and cheapest way to obtain a reactor would be to buy one from abroad.

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Comment: Israel's refusal to accept safeguards on all its nuclear facilities will make it difficult to find a foreign supplier for a power reactor. If Israel cannot buy the reactor, it is likely to try to build one. An Israeli-built reactor, while technically feasible, would take longer to construct and be far more expensive. Building this reactor—in addition to financing the canal connecting the Dead Sea and the Mediterranean and the Lavi fighter aircraft program—would place a severe strain on Israeli investment capital, manpower, and foreign exchange for the rest of the decade.

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UK-BELIZE: Decision on Withdrawal

A high-ranking British officer has told the US defense attache in London that the Chief of the Armed Forces recently conducted a "low-key" visit to Belize and will be briefing Prime Minister Thatcher on the situation there later this week. The government had planned to withdraw its 1,800-man garrison from Belize in stages between April and December. This policy has been under review, however, following the failure in late January of talks with Guatemala about Guatemalan claims to a portion of Belize. []

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Comment: A Foreign and Commonwealth Office official recently reiterated the UK's firm intention to withdraw because of financial and force constraints. Nevertheless, London probably shares Washington's concern that an abrupt withdrawal could invite Guatemalan adventurism and further disrupt the stability of the region. The Foreign Office thus is likely to be sympathetic to proposals to delay or slow withdrawal of the garrison to allow time for additional diplomatic efforts. The British, however, probably will try to elicit greater US involvement, including increased pressure on Guatemala or a guarantee of Belize's security. []

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TAIWAN: Moderate Treatment of Opposition

The lenient sentences handed down this week to a Japanese national and two Taiwanese convicted of sedition reflect Taipei's efforts over the past two months to improve its image. Last month a US resident convicted of conspiring with Beijing received a similar light sentence. The government also recently paroled nine political prisoners held for over 30 years, and more may be released soon. []

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Comment: These steps seem designed to undercut foreign criticism of Taipei's record on human rights. They also could be part of a deal between the government and its domestic critics before the legislative elections later this year. Taiwan's independent opposition recently has stopped criticizing the government's detention of political opponents. []

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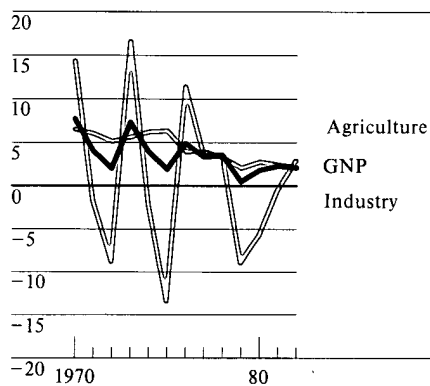
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USSR: Indicators of Economic Growth

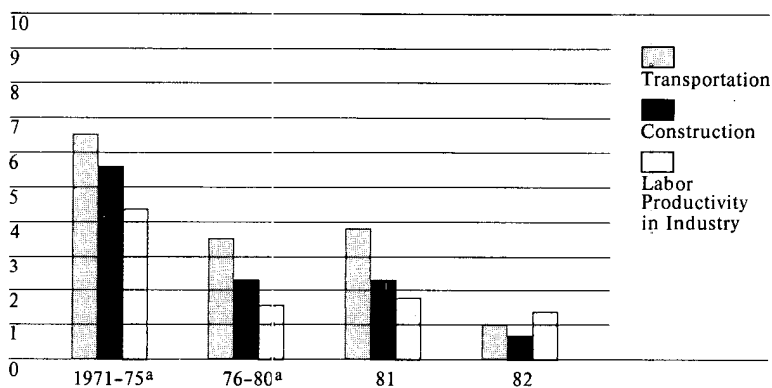
Note change in scales

GNP, Agriculture, and Industry

Percent Growth

^aAverage annual rate of growth.**Selected Measures of Economic Activity**

Percent Growth



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Special Analysis

USSR: Economic Performance in 1982

Economic growth in the USSR fell slightly last year to about 2 percent, and consumer welfare stagnated. Although agricultural output improved after a three-year decline, the continued slide in industrial growth bodes ill for the long term.

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Industrial development again faltered as the erosion of growth in labor productivity, transportation bottlenecks, and shortages of raw materials and electricity took their toll. Moreover, the important growth sectors—machinery, metals, construction materials, and chemicals—all did poorly compared to past performance.

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To turn around the industrial sector, General Secretary Andropov has sought increased labor discipline at all working levels. The leadership has indicated there will be substantial increases in investment in the areas most responsible for production bottlenecks.

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Energy and Agriculture

Gas production grew most rapidly at 8 percent, while coal production made a limited recovery from a decline in 1981. Despite massive investments, oil production rose by less than 1 percent, indicating output could be nearing its peak.

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The farm sector remains the least stable element of Soviet economic performance. Much of Andropov's short-term success or failure in the economic arena as a whole will rest on what happens in agriculture.

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Agricultural production increased 3 percent compared to 1981, despite a fourth consecutive poor grain harvest. The increase was mainly the result of record fruit and vegetable crops and some improvement in potato, sugarbeet, and sunflower seed production.

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Last May Brezhnev set forth a comprehensive program aimed at stimulating farm output, partly by emphasizing larger flows of machinery, fertilizer, and other producer goods to farms. There has been no apparent increase, however, in the delivery of these goods.

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USSR: Hard Currency Debt to the West		<i>Billion US \$ yearend</i>	
	1980	1981	1982 ^a
Gross debt	17.9	20.0	20.3
Commercial debt	10.0	12.1	11.6
Government and government- guaranteed debt	7.9	7.9	8.7
Assets in Western banks	8.6	8.4	8.4
Net debt	9.3	11.6	11.9

^a Estimated.

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The Consumer

Consumer welfare stagnated. Per capita retail trade barely grew, reflecting the slow growth in the availability of consumer goods.

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There was almost no increase in per capita food consumption. Per capita meat consumption fell slightly for the second year despite large-scale imports. For the first time since World War II, per capita sales of consumer durables actually declined.

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Hard Currency Payments Position

The Soviets did have considerable success in curbing growth in their hard currency debt. Although the USSR's debt service ratio is less than 20 percent, conservative Soviet economic planners will continue to be wary of increasing the foreign debt.

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Success in this area was achieved at substantial cost. The USSR increased its hard currency exports of goods, especially oil, needed for domestic use and for sale to its allies and reduced its imports of machinery, industrial materials, and other Western goods essential for economic growth. The Soviets will find it increasingly difficult, however, to sustain favorable trade trends, particularly if oil prices continue to be soft.

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Prospects

Andropov's "disciplinary campaign" may succeed over the short run in increasing industrial output faster than in recent years. This, together with average-to-good weather, could result in greater GNP growth in 1983. The outlook for 1984 and beyond, however, will remain clouded by continued shortages of industrial materials, by transportation problems, and by smaller additions to the labor force.

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